An analysis of marketing strategy of fast fashion brand

A case study of H&M

Chapter 1. Introduction

1.1 Background

H & M is a Swedish fashion establishment which has been operational since 1947 as a pioneering 'fast-fashion' business. H & M has been successful since their inception as they have been able to establish 4,135 stores across 43 countries around the globe where they employ 94, 000 workers (Samson & Sheela, 2016). Despite this form of success, H & M has faced a myriad of challenges with declining sales and profits, which require re-strategizing. The fashion industry has been facing opportunities and challenges after the emergence of e-commerce. This is showcased by the current downturn of the company has suffered continued losses. Despite, the decade long progression that H & M has served the need of customers in the fashion industry, it has experienced a spiraling down effect, especially in the third quarter of 2018. H & M profits have fell by 20% from 2014, and the situation warrants a closer evaluation and analysis of how they can be able to change their status.

1.2 The Importance of the study

The importance of the research is to create a marketing strategy that will be used by H & M to ensure that their sales improve and they become a profit-making company again. Additionally, the study will further evaluate and analyze the marketing mix and strategy through the application of the 4Ps. The 4Ps will explain the H & M marketing strategy (Shen, 2014). They will enable them to create more sales, offer customer satisfaction and increase profits.

1.3 Aims and Objectives

The aims and objectives of this paper are outlined into three parts which will be essential in elaborating H&M's marketing strategies and the application of 4P's into the business level. Secondly, the paper will be analyzing methods of understanding of customer's satisfaction on H&M's marketing strategy. The focus will be on how well or poorly it has been perceived externally and internally. Finally, the results would then be able to furnish the management team of H&M with a solution to aid them to steer the business away from its current struggle. The results and recommendations will be vital in changing the theoretical suggestions to practical matters.

Chapter 2. Literature Review

2.1 Solving the Research Objectives

The objectives of this study is to look into the marketing strategy of H&M through the use of the 4Ps and its contribution in creating better customer satisfaction. Under each concept, the 4Ps are elaborated to give a lengthy outlook of how H&M can change their current problems and struggles. H&M marketing mix analyzes how the company currently covers 4Ps and the marketing strategies that it has used in its operations since they started. In fact, each element of the 4Ps plays a key role in the marketing strategy of H&M. Under the product concept in the H&M marketing strategy, the company is a clothing retail entity. It offers fast-fashion garments for females, males and youngsters across the globe. These fast clothing designer clothes range from everyday basics to yoga wear which have different pricing. In doing this, H&M ensures

that their products are priced, advertised and distributed across the world under various

franchises. The prices of H&M clothes are available for premium prices (Shen, 2014). The same

concept is used by Zara and Gap, who are their major competitors. However, the prices for H&M

products are slightly lower compared to that of the other fast fashion brands, which is vital to

their marketing mix pricing strategies. As for place; H&M has exclusive stores that are located

across major cities in various parts of the globe. Due to regulatory and policy constraints, H&M

has to operate under franchise partners. However, they still have online stores where their

customers can place orders and have their products delivered. Promotion is another marketing

strategy that H&M needs to improve.Promotions include digital marketing, YouTube, promo

codes and discounts (Göransson & Persson, 2007). Secondly, understanding customer

satisfaction is another aspect that H&M needs to work on so they can increase their base.

Customer satisfaction is a marketing strategy that enables companies to create awareness

amongst their employees on how they can improve their people handling aspects.

2.2 Validity and Reliability

These frameworks are appropriate because they have been widely used by many other

international brands across various industries including Toyota, Starbucks, and KFC etc., in the

light of improving their customer satisfaction. While the 4Ps are integral in enabling companies

to improve their ways of conducting business, they should be able to factor in how their

management will be able to assist them to attain those goals and objectives (Otuedon, 2016). Yu

& Shi (2013) argued that customer satisfaction in the fashion industry is the fundamental

component that enables organizations in the sector in order to continue operating while it enables

them to maximize their profits and minimize their losses. In the connection herewith, the

frameworks that are based on the 4P's are appropriate because they are easy to implement and

achieve when they couple with the right investments and human resources. Nevertheless,

customer centricity as showcased by Toyota has proven that companies can make a turnaround if

they focus on their products based on what their clients require—attesting the importance of

customer satisfaction. (Svensson & Gummesson, 2008).

Despite of challenges on the 4Ps for the lack of awareness in the sustainability area in

regards to industries such as hotel, automobile and textile (Bodhi, 2018), Shin & Lee (2014) have

managed to demonstrate how the 4Ps can still be applicable and valid into factors of

environmental and sustainability, which were not significantly considered in the past. Whereas

promotional activities should be based on the current and trendy platform, and these allow H&M

to connect better with their customers (Lee et al., 2014). Albeit of recent challenges on the 4Ps,

Barnes (2013) points out that the 4Ps to be the "indisputable paradigm" for market research in

the world of fast fashion, showing the correlation and importance of this framework when

analyzing the marketing strategy of H&M.

Nonetheless, Zineldin & Philipson (2007) points out that 4Ps are still the most commonly

used hence accepted marketing framework in comparison to other frameworks such as the

relationship marketing approach. Furthermore, Goi (2009) even argues that despite the post dot-

com boom and the long history of the 4Ps, its simplicity and well-established framework allow it

to be highly applicable into various industries up till date—a similar finding is also suggested by

Anderson & Taylor (2015).

Apart from also being adopted by Zara and GAP as mentioned earlier in this section, the

implementation of 4Ps is also demonstrated by Uniqlo, which is also another direct competitor of

H&M in the business of fast fashion (Filbert & Anthony, 2018), proving the importance of 4Ps to

fast fashion corporates.

2.3 Critical success factors for the fashion industry

H&M is among of the globe's renowned custom store. The success of the organization

forms its foundation on three major critical factors.

Clear discounting and distributing strategies

Offering customers a price discount presents H&M Fashion Company with the most

effective means of luring customers to purchase their products. H&M have 23.9 of its modern

merchandises selling at a reduced price. 10% of discounts offered by H&M have price products

reduced by 50% (Grant, 2016). The organization offers its customers new discounts each month.

Embracing the clear discounting strategies has seen to customers looking forward to promotions

around the year

Focusing on core customers

Female customers are the most active consumers of clothes and fashion products. H&M

has exploited this knowledge and focuses on the sale of womenswear. 57% of products sold by

H&M are women product. Noted ration has been improved in the last three years by cutting

down children wear by 6% (Grant, 2016). Below figure showcase H&M gender segmentation
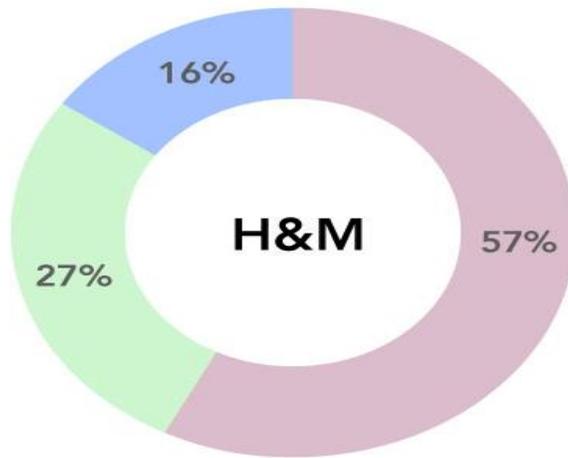
Consistency price strategy

Prices of garments sold by H&M extends from 0.77 to 307 United States dollars. The top

prices of H&M have remained increased by 5.5 since April 2014 (Grant, 2016). According to a

stable pricing strategy plays a vital role in building customer loyalty. Together with elevating

instances of customer loyalty, consistency in prices plays a vibrant role in building confidence in

retail products. H&M marketing strategy is purely based on combining offering their customers

discounts and having a consistency price architecture. On the flip side, a lack of price

consistency leads to friction between retailers and buyers.

Effective brand communication

In the recent past H&M have embraced a more editorial style of email newsletter than

they what they were initially using. The organization makes use of a format of vivid, stylized

description while presenting their products to customers. Utilization of the noted mode of

communication has seen to it the business's pricing and product offering strategy meet target

customer's expectations

Chapter 3 Methodology

Research method

This study will use 4ps marketing mix to investigate the existing 4Ps marketing strategy of H&M. The empirical figures that would be presented over the paper would be heavily based on secondary research. Backed up by the yearly report of H&M, which would serve as an evidence in showcasing the financial weaknesses that were reflected in the recent years. More secondary research would be done over online research, in view of gathering the customer's opinion and comments on the marketing strategy of H&M.

Data collecting Process

Primary and secondary data will be conducted to facilitate a better understanding of the study topic. Questionnaires will be used to gather primary data whereas secondary research will be carried out through literature reviews and document inspection.

3.1 Variables for analysis

Product- it is critical to understand the Company's product and its value proposition.

Price- to understand the Company's optimal pricing strategy, it's often the key driver of profitability and success.

Place- the products to the customers and how does the company do so, an exclusive channels or wide distribution network.

Promotions- it's often linked with product, because a big part of product is understanding customer wants and needs which helps determine the promotional aspects.

Process of obtaining research variables

The research in consideration aims at analyzing marketing strategy used By H&M

Company. Variables to be used in the study should have a direct impact on the company's

marketing strategy. The process of identifying these variables was based on locating business

marketing articles addressing the issue of marketing.

3.2 Secondary research

The secondary research carried out regarding H&M marketing strategy was gathered

from various literature reviews composed in online marketing journals. Moreover, the

investigator contacted the company for annual reports displaying its trends in marketing. To

affirm the contents of secondary data sources, a primary research was carried out.

3.3 Primary research

Survey (questionnaire)

The main primary research that would be conducted in this paper would be the

questionnaires that are specifically designed for the existing and potential customers of H&M.

Looking into their feedback and reactions to the marketing strategy of H&M.

There would be 5 stages of the data collection processes through this questionnaire; the

target size of data collection would be around 150. The sampling and selection of these 150

target audience would be made through personal network and colleagues that have a tendency of

shopping with high street brands, the male to female ratio would ought to be 50/50, however, this

would be subject to the circumstances in later stage. It is intended to run a pilot test with around

10 target audience first (10% of the total target audience), to work out if there is any obvious

flaws in regards to the design of the questionnaire, eg. vague and misleading questions, irrelevant

information etc. The pilot test would last for around 2 weeks for a preliminary review and

refinement if required. The rest of the questionnaire would then be conducted to the rest of the

target audience through a series of channels including emails, physical questionnaire, online

questionnaire. Finally, "banning" would take place if any hostile interviewees appear or any data

that would be deemed as the outliers.

Finally, we will summarized the result and recommendation will be given in order to help

to improve the marketing strategy of H&M.

Chapter 4 Finding & Interpretation

4.1 The goal of the study was to understand the customer satisfaction through investigate

their current marketing strategies. This section provides the findings for H&M company

customer satisfaction comparison. The overview of H&M Company background and product is

shown at first so as to give readers' basic information about case company. The result and data

collection from customer satisfaction questionnaires will be displayed in this part.

4.2 Questionnaire collection

The sample size for the final survey are total 150 respondents, however, there were 8

respondents unfilled some questions which made invalid data. Therefore, a total 142 valid data

from the respondent had been conducted.

4.3 Do you think marketing strategy is the effective?

Do you think marketing strtegy is the effective?

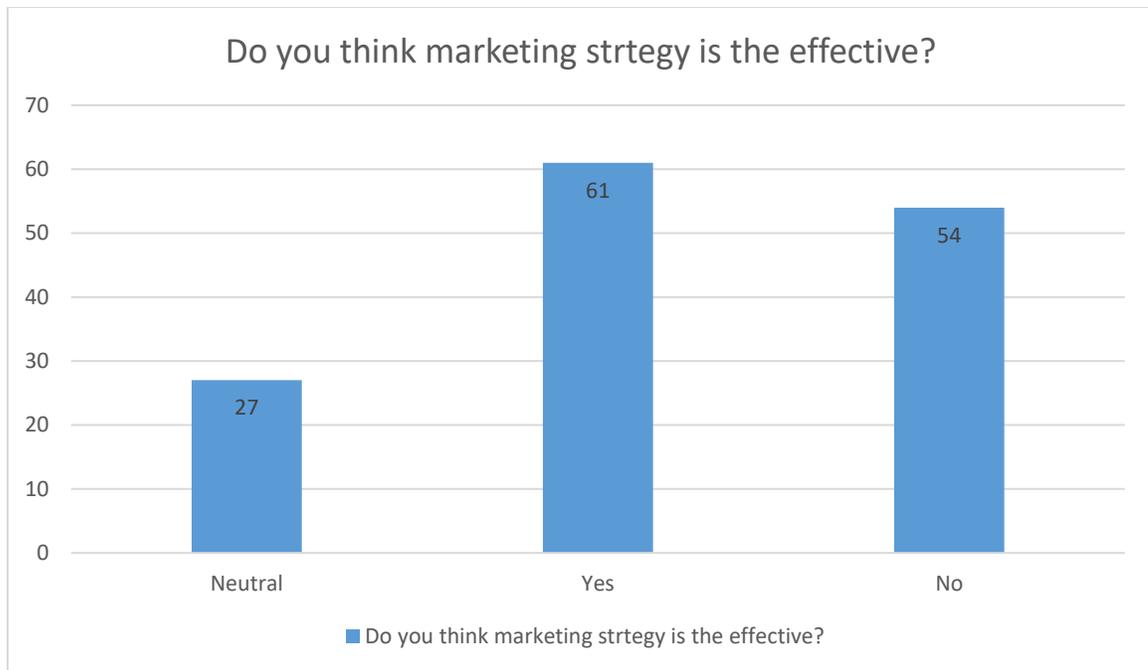|		
Neutral	Yes	No
27	61	54

■ Do you think marketing strtegy is the effective?

Figure 4.3 founds that there are 43% of the people thinks the marketing strategy is effective whilst there are 19% of the people have neutral opinion in regards to this question. In contrast, there are 38% of the people do not think the market strategy of H&M is effective.

Mokhils (2012) studied that there is no significant difference in customer satisfaction between males and females. Their satisfaction are both resulting from experiencing a service quality encountered as expected (Zeithaml et al. 2006).

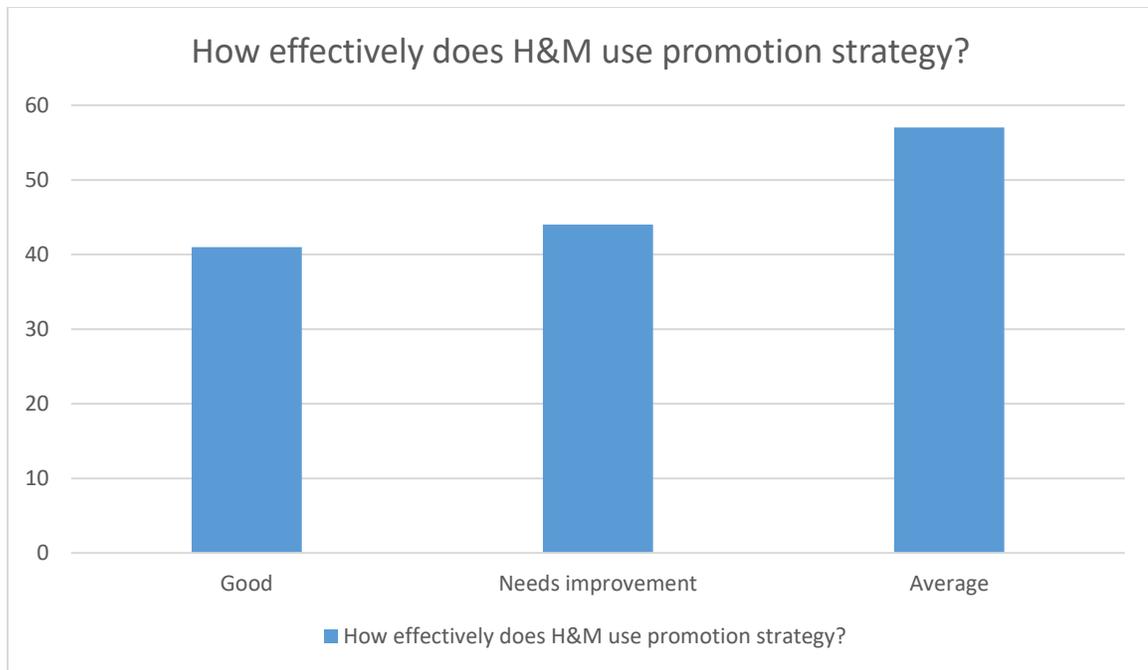How effectively does H&M use promotion strategy?

Figure 4.4 shows that 40.1% of participants thinks that the efficiency of H&M promotion strategy is average. In contracts, there are 30.9% participants' thinks H&M need to improve the promotion strategy.

H&M annually has one or two designer collaborations since 2004. The fashion brand's partnership with designer or design house to promote and release high street fashion with "haute aesthetics" designers with limited edition from such luxury and famous designers. Some names from the list including Karl Lagerfeld, Balmain, Versace, Jimmy Choo, Alexander Wang, Lanvin, Kenzo and the most recently, Erdem Moralioglu for the collection in autumn 2017. The effect of collaboration created media impression as a metric for the marketing benefits to measure how many times customers see mention of the collaboration. It helps the brand build up positive brand perception and attract more customers to H&M's stores. For example, a piece of Balmain design can cost thousands of dollars, but "from this collaboration customers finally

have a chance to wear the pieces for themselves" – according to Emmanuel Diemoz, Balmain's chief execute officer (Lauren 2015).

Most posts on H&M's social media pages are professionally characterized, it means that most posts are made by a team of professionals who are assigned to produce and 33 publish creative and preset content of these social media sites for the company following specifics terms and conditions. It also means that only them can decide which content to put on the site and which visual and written material can be used in such contents. Followers and viewers can view and possibly search for these contents, yet are unable to publish their own image or other forms of content.

4.3.4 The effective of H&M promotion

According to the survey, we have asked the respondent in regards to H&M promotion channel, where they mostly learn about the H&M promotion.
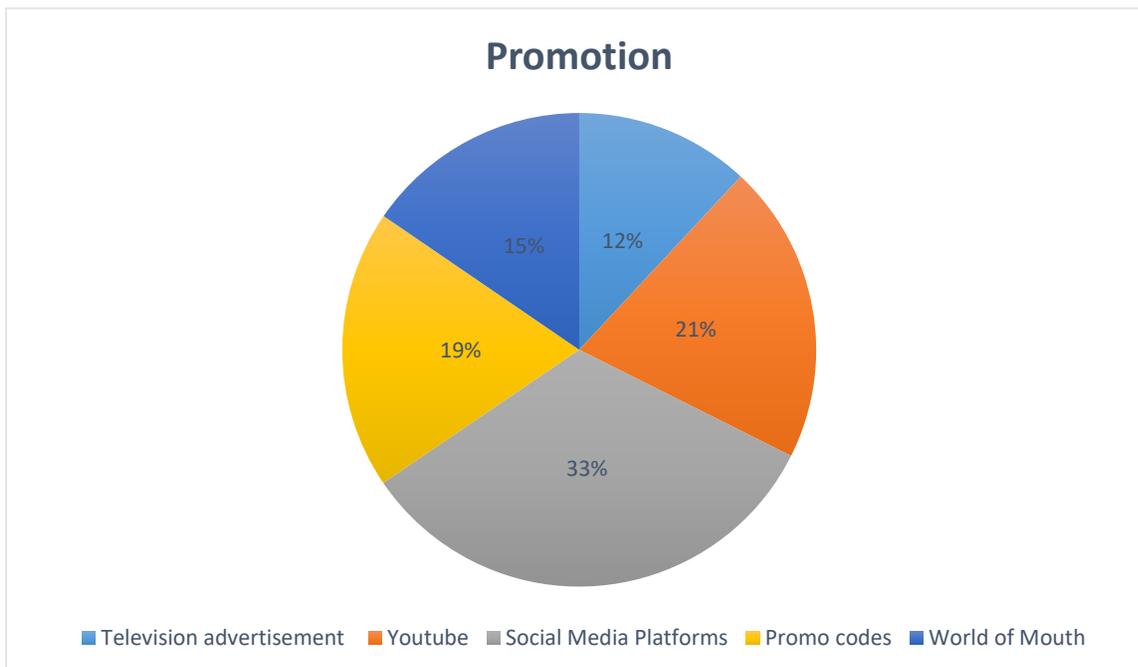
According to the above chart, most of the 47 respondent (33%) learn about H&M advertisement

from social media platform, and both 29 respondent 21% from Youtube and 19% (27

respondent) from promo codes .22 respondent (15%) from world of the mouth and (17

respondent) 12% from Television.

4.4 Customer Satisfaction

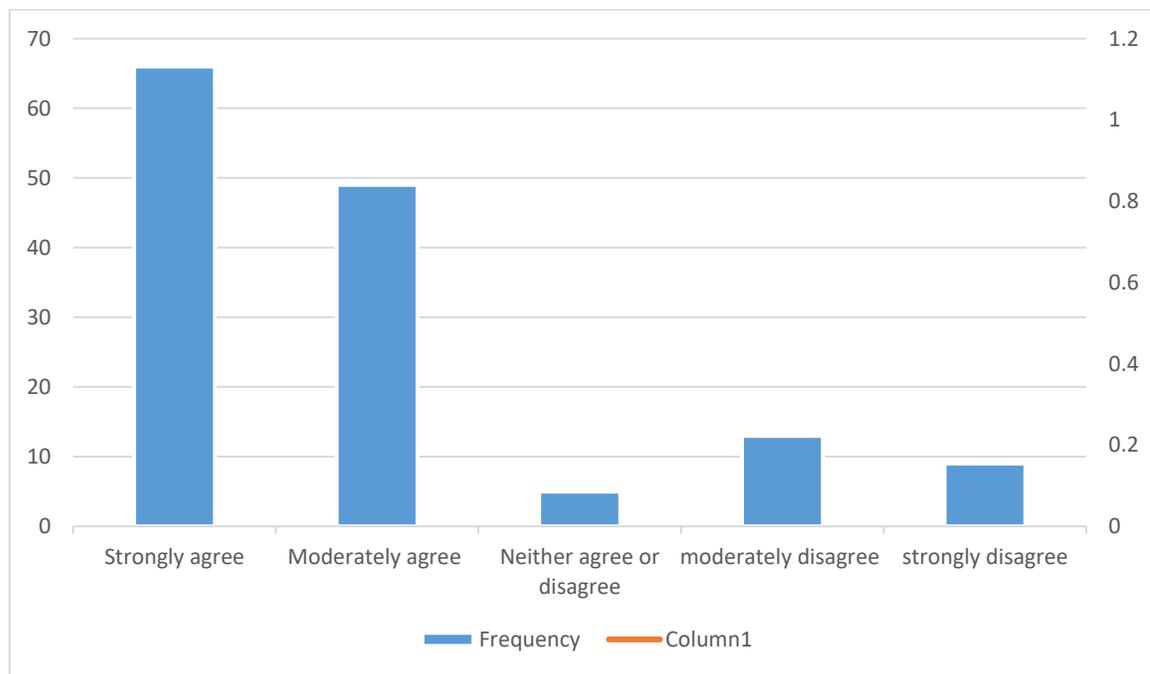|	Strongly agree				Strongly Disagree
You are satisfied by the product offered by H&M	5	4	3	2	1
	19.7%	19%	34.5%	16.1%	10.5%

Figure 4.5 founds that there are 28 and 27 participant are strongly agree or agree, whilst 49 are

neutrally agree and 23 and 15 are closely disagree.

Service quality is a perfect level feeling when customers come into contact with the service (Rust

and Oliver, 1994), the pursuit of service quality is an important factor for enterprise ensure long-

term competitive advantage. Parasuraman (1985) suggested that in order to improve customer

service satisfaction, company should be considered into the service intangibility, inseparability,

variability and perishability these four aspects. The good customer service is all about bringing

customer back and sending 14 them away happy. No matter in what kind of enterprises, listen to

you customers and deal with customer changeable demand and complaints. Sometimes make the

questionnaires or survey for the customer's new need and expectation. This is also the good

service method to meet customer satisfaction. Reynolds & Arnold (2000) previously confirmed

that sales associates affect customers developing a positive attitude towards the brand. A sales

associate's attitude and helpfulness at the store is more influential for a female's than a male's

apparel brand.

4.4.1 Quality of service

The study also aimed at investigating whether the quality of the services offered to the

customers had any impact on customer satisfaction. This is mainly because customers always

value high-quality products, which always relate to their price levels.


As shown in the graph, the largest number of respondents (46.4 %) approved firmly, 34.5

% agreed mildly, 9.1% disagreed or did not agree, 7.2 % agreed moderately, although 3.5% were

strongly opposed to H&M's continued happiness with quality service. As the results show,

customer satisfaction is sustained by the quality of service at H&M Company. Findings show

that 46.4%) of respondents reported that customer satisfaction improved service quality. 34.5%

reported significantly, 9.1% moderate, 7.2% less, and 3.5% indicated that no extent was

achieved. Consequently, the findings have improved the quality of service for H&M consumers

have a positive relationship with the customer's satisfaction. The respondents had to display their

level of satisfaction with the influence of customer satisfaction on the quality of services at the

H&M business.

4.4.2 Brand and customer satisfaction

The study sought to develop a predictive equation for customer satisfaction with the

results of the brand. The respondents were asked whether the H&M Company brand had an

impact on their satisfaction. 78% of the respondents said that they did, while 22% said that the

H&M Group was not pleased. It could, therefore, be concluded that, although it had influenced a

certain proportion, the brand has an average effect on customer satisfaction.
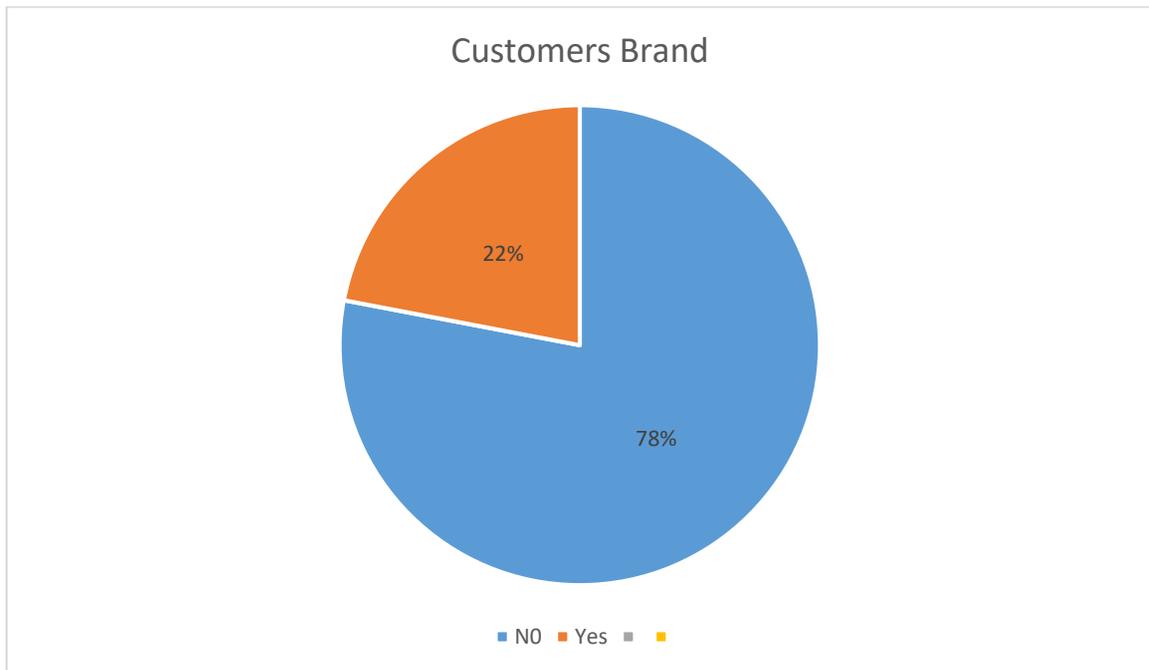
This result shows that the customer's brand has a positive relationship with the

customer's brand.

4.5 Discussion

This study aimed to investigate customer satisfaction in H & M through investigating their current marketing strategies. The study utilized a sample size of 142 respondents.

The research also examined whether H&M Company's marketing strategy was more effective. The research showed that the marketing strategy was more effective for most of the customers. This was mostly because the company uses a policy of segmentation that always allows the company to separate markets or communities into segments with specified similar characteristics. To reach all customers, H&M uses demographic and psychographic segmentation. H&M is sold all around the globe and is targeted at many different cultures, beliefs, and lifestyles. Besides, most of the respondents agreed that the targeting strategy used in marketing by the company was more effective. The approach applies to the preference of potential customers for whom a corporation wants to market products or services. The study found that H&M's target customers are in the consumer groups who view shopping as a social activity and enjoy their day-to-day life without investing so much money. So, younger people are the target market for H&M due to their buying habits. While H&M offers accessories and clothes for every age, women are its target market. Women generally buy more for them, but they also buy all the clothes of their children and often their husbands. H&M is an oriented marketing campaign of low prices targeting people in the lower middle class and working class. This is also about Darini, and Khozaei, (2016), which claims that customers are not very faithful to brand names; they browse for great fashion items at several stores.

The report also explored whether H&M Company uses a more successful advertising approach in its marketing technique or not. According to Mamo (2018), promotion is an attempt on the part of marketers to inform, persuade or recall consumers and users of B2B to influence or

react. Many businesses are supporting in some way. Because business goals vary widely,

advertising techniques often vary. The goal is to promote activity on the target market by

individuals or organizations. The required behavior is for the customer to buy the marketed item

in a profit-oriented business. H&M Corporation has, for example, embraced social media

marketing, which is used predominantly by most customers. This confers to Singh,&

Meena,(2018), who argues that through the use of social media, the company can increase the

awareness level of the products that it creates. Besides, the strategy is also used to capture more

customers aimed at trying out the product under investigation.

Product content is the most genuine product content released in 2017 that most customers

consider brand authenticity. This is also regarded as one of the most efficient policies aimed at

increasing customer satisfaction. Over 57 percent of respondents believe that less than half of

brands produce authentic content. Consumers can identify two kinds of contents: content

generated by professionals and content generated by users. This means that they know if a

professional or a brand coordinator creates an image compared to a consumer creating an image.

With the Web launch, customers rely heavily on social outlets. Consumers can be developers of

initial products, co-creators of an emerging company, and curators of fashion concepts in the

marketing environment due to the importance of digital materialAlhelalat et al., (2017). This shift

has led to a change in the power of the market from the use of content produced by companies to

content produced by consumers. In conjunction with technology and culture, consumers must

constantly change their consumer attitudes to adapt to current trends. Marketers are also actively

seeking knowledge to retain their market share by the consumer market.

The report further explored feedback from the quality of services provided to clients by

H&M Group. The study found that customer satisfaction was greatly affected by the quality of

services provided by the company to its clients. The quality service literature shows that high

service quality perceptions and high service satisfaction lead to a very high level of purchasing

intentions. Kuhzady & Ghasemi (2019) reported that product quality, service quality, and store

identity influenced customer loyalty. We further indicated that product and service quality] is

directly linked to the happiness of the consumer and contributes to customer loyalty. The

literature on customer satisfaction found that customer satisfaction and loyalty are related

according to the satisfaction level. The positive effect on customer loyalty was higher than

implicit customer loyalty satisfaction. Performance tends to be only one of the service factors

contributing to the customer's satisfaction assessment, which also offers encouragement for the

service quality as an antecedent to satisfaction in the modified version of the proposed model

which was meant to incorporate the satisfaction and service quality literature. A study conducted

in a health care system by Kamal, Sarker, & Pramanik, (2016) verified this association, which also

shows that the quality of service is to be viewed as a background of patient satisfaction.

The analysis also suggests that, although it affected a certain extent, the brand affected

customer satisfaction. It refers to Nguyen, (2018), which concluded that goods are being used by

citizens to improve their self-image. The report also concludes that advertising and direct

marketing, personal sales, and promotion are strategies that greatly affect customer satisfaction.

This development is in line with Weijun et al., (2018), which claims that an ever-increasing

number of service companies have embarked on an advertising and personal selling journey

through the communication channel to build strong brands to create a relative atmosphere. The

results were used to influence customer satisfaction, even though the relationship between brand

and customers does not affect their relationships or transactions.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATION

5.1 Introduction

 This chapter provides an overview of the factors affecting H&M Company customer satisfaction. There are findings and guidelines. Therefore, the chapter is structured to summarize the results, conclusions, recommendations, and fields of research. The findings and guidelines rely on the goal of the report.

5.2 Conclusion

The study concludes that customer satisfaction at H&M companies is affected primarily by advertisements that satisfy customers through the use of social media. 4ps marketing mix was also adopted in the study to study H&M's current 4Ps marketing strategy. On paper, which was largely focused on secondary analysis, the analytical statistics were reported. This was supported by the annual report of H&M, which also showed the financial weaknesses of recent years. The paper also used the primary research achieved by the use of research questionnaires.

The study thus concluded that H&M Company improved the service quality of its fashion products, which ensured that high numbers of the consumers consumed more of its resources. Besides, the study further found out that, while it influenced a certain proportion, the brand had an impact on customer satisfaction. This is mainly because the brand always ensures that customers have a high awareness level, which contributes to their decision-making ability. The main study results show that customers can use their preferences to present their brands. This can occur both in consciousness and in the subconscious level of any business. Nguyen (2018) showed how consumers prefer personality brands that match personality characteristics. This can also be

linked in the relation which investigates the existing relationship between brand personality and customer loyalty of the employees.

The study also found out that the use of marketing strategies is also more efficient in ensuring that the products manufactured are marketed efficiently. Product content is also the most genuinely brand authentic product content by most customers. This is also considered one of the most efficient customer satisfaction policies. Consumers can identify two types of content: professional content and user-generated content. This means you know how you create an image similar to a customer making a picture by a specialist or a company organizer. Customers rely heavily on social media services with the Web launch.

The study also concludes that advertising and direct marketing, personal sales, and promotion were strategies that greatly affected customer satisfaction. Current and potential customers must be targeted in the sales campaign to get, use, and optimize savings from restrictions on utilities. Some analysts have suggested a way of thinking that incentives may affect consumer satisfaction. Promotions are shown to decrease the guilt of certain consumer products and the outcome of promotional purchases is predictive to lead to special, pride-related responses such as a smart shopper.

The findings affected customer satisfaction, even if it does not change the interaction between the business and the consumers. Finally, the study concludes that all the explanatory variables are of significance for customer satisfaction, quality service, promotion is the most important factor that contributes to customer satisfaction level.

Recommendations

Promotion tends to be a major policy to draw more clients in any organization as it increases the awareness level. Organizations, therefore, need to adopt these promotion policies to

market their services. Social media is one of the key tools companies should use to increase

sales. This is mainly because the use of social media is less costly, despite its effectiveness. The

report suggests that other advertising strategies can be used to attract additional customers to

cope with the growing competition. H&M must work to ensure that its brand has completely

influenced the level of customer satisfaction.

The study recommends that customers receive better service quality, and therefore their

level of satisfaction has been influenced. As a promise of customer satisfaction, H&M Company

should further boost the quality of service. In turn, the report proposes fairer rates to guarantee

customer satisfaction to preserve them. This is mainly because of the existence of efficient prices

lure customers to buy more commodities.

Study Limitation

The researcher had a major problem obtaining information as time is not enough for

distribute more questionnaire. Moreover, the fact that senior managers did not work together was

very difficult for researchers to obtain information, and certain senior managers refused to give

researchers time to collect data. Some employees were not willing to provide information as

well.

Suggested future study

More research on customer satisfaction indicators in other apparel markets should be

conducted as multiple fashion companies have diverse business strategies. Additional studies

will help to determine variables other than those in this analysis that affect consumer loyalty.